

1572

HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF LASALLE
STATE OF LOUISIANA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
SEPTEMBER 30, 2001, 2000 AND 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/3/02

RECEIVED
LEGISLATIVE AUDITOR
02 MAR 28 AM 10:18

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Financial Statements
And
Independent Auditors' Report
Years Ended September 30, 2001, 2000 and 1999

Table of Contents

	Page No.
Independent Auditors' Report on the Financial Statements and Supplementary Information	1
General Purpose Financial Statements	
Enterprise Funds	
Combined Balance Sheets - Unrestricted Funds	3
Combined Statements of Operations - Unrestricted Funds	4
Combined Statements of Changes in Fund Balances - Unrestricted Funds	5
Combined Statements of Cash Flows - Unrestricted Funds	6
Combined Notes to Financial Statements	8
Debt Service Fund	
Balance Sheets	19
Statements of Revenues and Expenditures and Changes in Fund Balance	20
General Long-Term Debt Account Group	
Statements of General Long-Term Debt	21
Notes to Financial Statements	22
Supplemental Information	
Schedules of Patient Statistics	24
Schedules of Net Patient Service Revenue	25
Schedules of Other Revenue	26
Schedules of Expenses - Salaries and Benefits	27
Schedules of Expenses - Medical Supplies and Drugs	28
Schedules of Expenses - Professional Fees	29
Schedules of Expenses - Other Expenses	30
Combining Balance Sheet	31
Combining Statement of Operations	32
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with GOVERNMENT AUDITING STANDARDS	33

Bobby G. Lester, CPA
John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA

Melanie I. Layssard, CPA
Brenda J. Lloyd, CPA

LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
3600 BAYOU RAPIDES ROAD
ALEXANDRIA, LOUISIANA 71303

Telephone (818) 487-1450
Facsimile (818) 445-1184

Members
American Institute of CPA's
Society of Louisiana CPA's

Mailing Address:
P.O. Box 8758
Alexandria, LA 71306-1758

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Jena, Louisiana

We have audited the accompanying general purpose financial statements of Hospital Service District No. 2, of the Parish of LaSalle, (the "District"), a component unit of the LaSalle Parish Police Jury, for the years ended September 30, 2001, 2000 and 1999, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 2, of the Parish of LaSalle as of September 30, 2001, 2000 and 1999, and the results of its operations and cash flows of its proprietary fund types for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated January 18, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Board of Commissioners
Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Page Two

Our audits were performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Certified Public Accountants

January 18, 2002

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Combined Balance Sheets - Unrestricted Funds
September 30, 2001, 2000 and 1999

ASSETS	2001	2000	1999
Current assets:			
Cash and cash equivalents (Note 3)	\$ 1,093,703	\$ 240,537	\$ 418,029
Assets whose use is limited - required for current liabilities	25,133	-0-	-0-
Investments (Note 4)	3,054,447	1,899,860	2,199,278
Accounts receivable, net of estimated uncollectibles (Note 6)	3,688,854	2,698,813	2,215,815
Inventory	266,324	244,430	215,633
Prepaid expenses	<u>50,785</u>	<u>36,593</u>	<u>40,740</u>
Total current assets	<u>8,179,246</u>	<u>5,120,233</u>	<u>5,089,495</u>
Assets whose use is limited under bond covenant agreement (Note 5)	737,388	704,681	652,823
Property, plant and equipment, net (Note 7)	5,975,522	5,108,918	5,265,108
Other assets (Note 8)	<u>7,851</u>	<u>7,153</u>	<u>7,153</u>
Total assets	<u>\$14,900,007</u>	<u>\$10,940,985</u>	<u>\$11,014,579</u>
LIABILITIES AND FUND BALANCE			
Current liabilities:			
Current maturities of long-term debt	\$ 245,000	\$ 230,000	\$ 215,000
Accounts payable	280,192	249,104	350,683
Accrued expenses and withholdings payable (Note 9)	626,204	462,448	406,731
Resident deposits	25,133	-0-	-0-
Retirement payable	<u>193,825</u>	<u>240,135</u>	<u>210,000</u>
Total current liabilities	<u>1,370,354</u>	<u>1,181,687</u>	<u>1,182,414</u>
Long-term debt, net of current maturities (Note 12)	<u>255,000</u>	<u>500,000</u>	<u>740,000</u>
Total liabilities	<u>1,625,354</u>	<u>1,681,687</u>	<u>1,922,414</u>
Fund balance - unrestricted	<u>13,274,653</u>	<u>9,259,298</u>	<u>9,092,165</u>
Total liabilities and fund balance	<u>\$14,900,007</u>	<u>\$10,940,985</u>	<u>\$11,014,579</u>

See accompanying notes to financial statements.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Combined Statements of Operations - Unrestricted Funds
Years Ended September 30, 2001, 2000 and 1999

	2001	2000	1999
Revenue:			
Net patient service revenue	\$14,515,024	\$10,499,606	\$ 9,734,842
Gain (loss) on disposal of equipment	2,594	-0-	24,383
Grant income	-0-	26,649	-0-
Other revenue	<u>564,187</u>	<u>804,504</u>	<u>747,608</u>
 Total revenue	 <u>15,081,805</u>	 <u>11,330,759</u>	 <u>10,506,833</u>
Expenses:			
Salaries and benefits	7,164,106	5,970,736	5,628,985
Medical supplies and drugs	1,187,672	973,761	969,422
Insurance	227,732	162,739	166,633
Professional fees	1,169,164	1,339,521	1,298,697
Other expenses	1,948,656	1,567,791	1,475,774
Provision for bad debts	1,170,919	865,898	638,807
Depreciation and amortization	421,046	376,342	355,020
Interest	<u>29,097</u>	<u>41,854</u>	<u>52,051</u>
 Total expenses	 <u>13,318,392</u>	 <u>11,298,642</u>	 <u>10,585,389</u>
 Operating income (loss)	 1,763,413	 32,117	 (78,556)
Nonoperating income			
Interest income	<u>219,543</u>	<u>135,016</u>	<u>132,394</u>
 Excess of revenues over expenses	 <u>\$ 1,982,956</u>	 <u>\$ 167,133</u>	 <u>\$ 53,838</u>

See accompanying notes to financial statements.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Combined Statements of Changes in Fund Balances - Unrestricted Funds
Years Ended September 30, 2001, 2000 and 1999

	Hospital	Nursing Home	Total Unrestricted
Fund balance, September 30, 1998	\$ 9,038,327	\$ -0-	\$ 9,038,327
Excess of revenues over expenses	<u>53,838</u>	<u>-0-</u>	<u>53,838</u>
Fund balance, September 30, 1999	9,092,165	-0-	9,092,165
Excess of revenues over expenses	<u>167,133</u>	<u>-0-</u>	<u>167,133</u>
Fund balance, September 30, 2000	9,259,298	-0-	9,259,298
Transfer - LaSalle Nursing Home	-0-	2,032,399	2,032,399
Excess of revenues over expenses	<u>845,254</u>	<u>1,137,702</u>	<u>1,982,956</u>
Fund balance, September 30, 2001	<u>\$10,104,552</u>	<u>\$ 3,170,101</u>	<u>\$13,274,653</u>

COMPOSITION OF FUND BALANCE AT SEPTEMBER 30, 2001:

Contributions	\$ 2,581,443	\$ 2,032,399	\$ 4,613,842
Accumulated excess of revenues over expenses	<u>7,523,109</u>	<u>1,137,702</u>	<u>8,660,811</u>
Total fund balance	<u>\$10,104,552</u>	<u>\$ 3,170,101</u>	<u>\$13,274,653</u>

See accompanying notes to financial statements.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Combined Statements of Cash Flows - Unrestricted Funds
Years Ended September 30, 2001, 2000 and 1999

	2001	2000	1999
Cash flows from operating activities:			
Operating income (loss)	\$ 1,763,413	\$ 32,117	\$ (78,556)
Interest expense considered capital financing activity	29,097	41,854	52,051
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	421,046	376,342	355,020
Amortization of discount	(12,008)	-0-	-0-
Provision for bad debts	1,170,919	865,898	638,807
(Gain) loss on disposal of assets	(2,594)	-0-	(24,383)
(Increase) decrease in:			
Net patient accounts receivable	(1,668,176)	(1,328,321)	(982,175)
Estimated third party payor settlements	(105,557)	(22,194)	(88,318)
Inventory	(5,032)	(28,797)	(10,904)
Prepaid expenses	16,722	4,147	13,664
Other receivables	37,239	1,619	(177)
Increase (decrease) in:			
Accounts payable	31,088	(101,579)	122,890
Accrued expenses and withholdings payable	66,091	66,755	30,337
Estimated third party payor settlements	-0-	(11,038)	11,038
Retirement payable	<u>(46,310)</u>	<u>30,135</u>	<u>52,871</u>
Net cash provided by operating activities	<u>1,695,938</u>	<u>(73,062)</u>	<u>92,165</u>
Cash flows from investing activities:			
Purchase of investments	(3,051,859)	(1,899,860)	(2,199,278)
Proceeds from investing activities	2,199,860	2,199,278	2,892,972
Investment income	<u>191,862</u>	<u>107,903</u>	<u>109,890</u>
Net cash provided (used) by investing activities	\$ <u>(660,137)</u>	\$ <u>407,321</u>	\$ <u>803,584</u>

See accompanying notes to financial statements.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Combined Statements of Cash Flows (Continued)
Unrestricted Funds
Years Ended September 30, 2001, 2000 and 1999

	2001	2000	1999
Cash flows from capital and related financing activities:			
Purchase of property and equipment	\$ (376,376)	\$ (220,151)	\$ (507,983)
Proceeds from sales of capital assets	2,594	-0-	24,383
Purchase of investments - bond reserves	(737,388)	(704,681)	(518,413)
Principal paid on long-term debt	(230,000)	(225,000)	(195,000)
Interest paid on long-term debt	(29,097)	(41,854)	(52,051)
Proceeds from investments - bond reserves	704,681	652,823	495,909
Investment income	<u>27,680</u>	<u>27,112</u>	<u>22,504</u>
Net cash used by capital and related financing activities	<u>(637,906)</u>	<u>(511,751)</u>	<u>(730,651)</u>
Net increase (decrease) in cash and cash equivalents	397,895	(177,492)	165,098
Cash transferred from Nursing Home	455,271	-0-	-0-
Cash and cash equivalents, beginning of year	<u>240,537</u>	<u>418,029</u>	<u>252,931</u>
Cash and cash equivalents, end of year	<u>\$ 1,093,703</u>	<u>\$ 240,537</u>	<u>\$ 418,029</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	<u>\$ 29,097</u>	<u>\$ 41,854</u>	<u>\$ 52,051</u>

See accompanying notes to financial statements.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Notes to Financial Statements
Years Ended September 30, 2001, 2000 and 1999

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

LaSalle Parish Hospital Service District No. 2, State of Louisiana (referred to as "the District") was created in 1968 by the LaSalle Parish Police Jury.

The District is a political subdivision of the LaSalle Parish Police Jury whose jurors are elected officials. Its five Commissioners are appointed by the LaSalle Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the LaSalle Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the LaSalle Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

On April 18, 2001 the District resumed control of LaSalle Nursing Home. LaSalle General Hospital and LaSalle Nursing Home are both enterprise funds within the District. This change in control has allowed the District to take advantage of an opportunity to participate in an Intergovernmental Transfer Program as envisioned by Act No. 143 of the First Extraordinary Session of 2000. Participation in this program will enhance the District's ability to provide quality care to the elderly and infirm nursing home patients of LaSalle Parish.

Nature of Business

The District provides outpatient, emergency, skilled nursing, acute inpatient hospital services, home health services, and long-term inpatient intermediate and skilled nursing services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Enterprise Fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Notes to Financial Statements
Years Ended September 30, 2001, 2000 and 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Method of Accounting

The District uses the accrual method of accounting. Revenue is reported when earned, net of the provision for contractual adjustments based upon each payor's agreement with the District. Hospital accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, the AICPA Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Income Taxes

The entity is a political subdivision and exempt from taxation.

Credit Risk

The District provides medical care primarily to LaSalle Parish residents and grants credit to patients, substantially all of whom are local residents.

The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. Revenues from Medicare and Medicaid are significant. Accordingly, government changes in reimbursement significantly impact the District.

Inventory

Inventories are stated at the lower of cost or market value. Cost is determined by the first-in, first-out method.

Statement of Revenues and Expenses

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Notes to Financial Statements
Years Ended September 30, 2001, 2000 and 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The District uses straight-line depreciation for financial reporting and third party reimbursement. The following estimated useful lives are generally used.

Property, Plant and Equipment

Buildings	25 to 40 years
Machinery and Equipment	5 to 20 years
Furniture and Fixtures	5 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations when incurred.

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Resident Deposits

The Nursing Home manages residents' personal funds that are shown on the financial statements as "Assets whose use is limited" with a related liability, "Resident deposits".

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of deposits in checking, money market and certificates of deposits with original maturities of 90 days or less. The following is a summary of cash and cash equivalents:

	2001	2000	1999
Petty cash	\$ 1,235	\$ 985	\$ 985
Checking and Savings	<u>1,092,468</u>	<u>239,552</u>	<u>417,044</u>
Total	<u>\$ 1,093,703</u>	<u>\$ 240,537</u>	<u>\$ 418,029</u>

Four hundred thousand dollars of the above amount is covered by federal depository insurance. The remaining balance, with the exception of petty cash, is covered by collateral held by the pledging financial institution's trust departments in the District's name.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Notes to Financial Statements
Years Ended September 30, 2001, 2000 and 1999

NOTE 4 - INVESTMENTS

The District's investments consist of certificates of deposit and a United States Treasury Bill with a maturity value of \$300,000 maturing on January 4, 2002. The Treasury Bill is held in safekeeping at First National Bank, Baton Rouge, Louisiana. The book value approximates market at September 30, 2001. The District considers certificates of deposit with original maturities in excess of 90 days to be temporary cash investments. These certificates of deposit were covered by collateral held by the pledging financial institution's trust departments in the District's name.

NOTE 5 - ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consists of the following items at September 30:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenue Bond Sinking Fund	\$ 164,182	\$ 159,155	\$ 134,410
Revenue Bond Reserve Fund	<u>573,206</u>	<u>545,526</u>	<u>518,413</u>
Total	<u>\$ 737,388</u>	<u>\$ 704,681</u>	<u>\$ 652,823</u>

The Revenue Bond Sinking Fund and Revenue Bond Reserve Fund were required by the Farmers Home Administration revenue bond contract. Monthly transfers from the operating account are required by the revenue bond agreement.

NOTE 6 - ACCOUNTS RECEIVABLE

A summary of accounts receivable as of September 30, is presented below:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Patients	\$ 4,010,155	\$ 2,953,868	\$ 2,363,728
Estimated third-party payor settlements	262,584	171,649	149,455
Other receivables	<u>5,156</u>	<u>33,557</u>	<u>35,176</u>
	4,277,895	3,159,074	2,548,359
Estimated uncollectibles	<u>(589,041)</u>	<u>(460,261)</u>	<u>(332,544)</u>
Total	<u>\$ 3,688,854</u>	<u>\$ 2,698,813</u>	<u>\$ 2,215,815</u>

The District generates a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. A summary of gross Medicare and Medicaid charges for the years ended September 30, 2001, 2000 and 1999 follows:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Medicare patients	\$17,421,869	\$16,168,550	\$16,365,439
Medicaid patients	<u>3,714,309</u>	<u>2,034,879</u>	<u>1,545,760</u>
Total	<u>\$21,136,178</u>	<u>\$18,203,429</u>	<u>\$17,911,199</u>
Percent of all patients	<u>82%</u>	<u>82%</u>	<u>87%</u>

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Notes to Financial Statements
Years Ended September 30, 2001, 2000 and 1999

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 2001:

	<u>ASSET COST</u>			September 30, 2001
	September 30, 2000	Additions	Deletions	
Land	\$ 125,328	\$ 28,565	\$ -0-	\$ 153,893
Land improvements	183,543	9,850	-0-	193,393
Buildings and fixed equipment	8,659,524	1,105,452	245	9,764,731
Moveable equipment	2,686,884	748,534	110,227	3,325,191
Construction in process	-0-	15,394	-0-	15,394
Total	<u>\$ 11,655,279</u>	<u>\$ 1,907,795</u>	<u>\$ 110,472</u>	<u>\$ 13,452,602</u>

	<u>ACCUMULATED DEPRECIATION</u>			September 30, 2001
	September 30, 2000	Additions	Deletions	
Land improvements	\$ 148,343	\$ 8,868	\$ -0-	\$ 157,211
Buildings and fixed equipment	4,387,806	498,417	245	4,885,978
Moveable equipment	2,010,212	533,909	110,230	2,433,891
Total	<u>\$ 6,546,361</u>	<u>\$ 1,041,194</u>	<u>\$ 110,475</u>	<u>\$ 7,477,080</u>

Included in the addition column are \$1,618,853 and \$652,692 of transferred assets and accumulated depreciation, respectively.

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 2000:

	<u>ASSET COST</u>			September 30, 2000
	September 30, 1999	Additions	Deletions	
Land	\$ 125,328	\$ -0-	\$ -0-	\$ 125,328
Land improvements	179,045	4,498	-0-	183,543
Buildings and fixed equipment	8,626,674	32,850	-0-	8,659,524
Moveable equipment	2,504,081	182,803	-0-	2,686,884
Total	<u>\$ 11,435,128</u>	<u>\$ 220,151</u>	<u>\$ -0-</u>	<u>\$ 11,655,279</u>

	<u>ACCUMULATED DEPRECIATION</u>			September 30, 2000
	September 30, 1999	Additions	Deletions	
Land improvements	\$ 143,054	\$ 5,289	\$ -0-	\$ 148,343
Buildings and fixed equipment	4,156,336	231,470	-0-	4,387,806
Moveable equipment	1,870,630	139,582	-0-	2,010,212
Total	<u>\$ 6,170,020</u>	<u>\$ 376,341</u>	<u>\$ -0-</u>	<u>\$ 6,546,361</u>

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Notes to Financial Statements
Years Ended September 30, 2001, 2000 and 1999

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended September 30, 1999:

	September 30, <u>1998</u>	<u>ASSET COST</u>		September 30, <u>1999</u>
		<u>Additions</u>	<u>Deletions</u>	
Land	\$ 60,328	\$ 65,000	\$ -0-	\$ 125,328
Land improvements	179,045	-0-	-0-	179,045
Buildings and fixed equipment	8,441,279	185,395	-0-	8,626,674
Moveable equipment	<u>2,246,837</u>	<u>257,832</u>	<u>588</u>	<u>2,504,081</u>
Total	<u>\$10,927,489</u>	<u>\$ 508,227</u>	<u>\$ 588</u>	<u>\$11,435,128</u>

	September 30, <u>1998</u>	<u>ACCUMULATED DEPRECIATION</u>		September 30, <u>1999</u>
		<u>Additions</u>	<u>Deletions</u>	
Land improvements	\$ 137,694	\$ 5,360	\$ -0-	\$ 143,054
Buildings and fixed equipment	3,941,159	215,177	-0-	4,156,336
Moveable equipment	<u>1,736,735</u>	<u>134,483</u>	<u>588</u>	<u>1,870,630</u>
Total	<u>\$ 5,815,588</u>	<u>\$ 355,020</u>	<u>\$ 588</u>	<u>\$ 6,170,020</u>

NOTE 8 - OTHER ASSETS

Other assets at September 30, consist of the following:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Silver recovered from x-ray films	\$ 7,153	\$ 7,153	\$ 7,153
Startup costs, net	673	-0-	-0-
Deposits	<u>25</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 7,851</u>	<u>\$ 7,153</u>	<u>\$ 7,153</u>

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Notes to Financial Statements
Years Ended September 30, 2001, 2000 and 1999

NOTE 9 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30 consist of the following:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Accrued employee insurance payable	\$ 113,210	\$ 95,127	\$ 80,428
State unemployment taxes payable	172	156	733
Accrued interest payable	13,889	21,291	26,687
Accrued salaries and fees payable	178,801	144,284	108,555
Accrued compensated absences	265,693	196,666	172,686
Payroll withholdings	34,846	4,924	6,604
Third party payable	-0-	-0-	11,038
Provider tax payable	<u>19,593</u>	<u>-0-</u>	<u>-0-</u>
 Total	 \$ <u>626,204</u>	 \$ <u>462,448</u>	 \$ <u>406,731</u>

NOTE 10 - COMPENSATED ABSENCES

Employees of the District are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. However, vested vacation, sick and paid days off have been recorded as a liability in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

NOTE 11 - PENSION PLAN

The Hospital has a qualified contributory defined contribution plan providing retirement benefits for substantially all of its employees. Annually, the District contributes 5.1 percent of the salary of eligible employees to the plan. The plan administrator is ITT Hartford. For the year ended September 30, 2001, employee contributions were \$287,293 and employer contributions were \$258,435.

The Nursing Home sponsors a tax-deferred annuity arrangement (exempt under Section 403(b) of the Internal Revenue Code) that covers key employees who have completed at least 1000 hours of service per year. Employees may elect to make contributions of up to \$10,000 to the annuity through a salary reduction agreement. The Nursing Home bonuses participating employees 50% of their contributions currently. This percentage is at the board's discretion and is reviewed each year. For the years ended September 30, 2001, 2000 and 1999, the amount of pension expense was \$4,603, \$8,256, and \$7,679 respectively.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Notes to Financial Statements
Years Ended September 30, 2001, 2000 and 1999

NOTE 12 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations at September 30, 2001, 2000 and 1999 follows:

	2001	2000	1999
5.0 percent revenue bonds due March 10, 2003, collateralized by a pledge of the District's revenues	\$ <u>500,000</u>	\$ <u>730,000</u>	\$ <u>955,000</u>
Total long-term debt	500,000	730,000	955,000
Less current maturities of long-term debt	<u>245,000</u>	<u>230,000</u>	<u>215,000</u>
Long-term debt, net of current maturities	\$ <u>255,000</u>	\$ <u>500,000</u>	\$ <u>740,000</u>

A table of annual debt service requirements follows:

<u>Years Ending</u> <u>September 30,</u>	<u>Revenue</u> <u>Bonds</u>
2002	\$ 245,000
2003	<u>255,000</u>
Total	\$ <u>500,000</u>

NOTE 13 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. Home health is reimbursed based upon a cost reimbursement methodology which is subject to limits on a cost per visit as well as per beneficiary basis. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1998.

Medicaid - Medicaid inpatient services are reimbursed based on a prospectively determined per diem rate. Most Medicaid outpatient services are reimbursed under a cost reimbursement methodology. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1997.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Notes to Financial Statements
Years Ended September 30, 2001, 2000 and 1999

NOTE 13 - NET PATIENT SERVICE REVENUE (Continued)

Blue Cross - Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per-diem rates are not subject to retroactive adjustment.

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

NOTE 14 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has only included these allocations or equity amounts assigned to the District by the trust fund in its financial statements.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third Party Reimbursement Programs (Note 6) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Notes to Financial Statements
Years Ended September 30, 2001, 2000 and 1999

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

Federal and state budget restraints are increasing the time period taken to pay Medicare and Medicaid claims and the Medicaid program is delaying payment of year-end statements.

Medicaid Uncompensated Cost - The District received interim amounts of \$573,083, \$43,375 and \$75,669 for Medicaid and self-pay uncompensated care services for the years ended September 30, 2001, 2000 and 1999, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations require retroactive audit of the claimed uncompensated cost and comparison to the interim amounts paid by Medicaid in each fiscal year. Any overpayments will be recouped by Medicaid and the District has not made any provisions for such recoupments. Management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise.

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 14) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The District's balance in the Louisiana Hospital Association Trust Fund is \$233,846.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Enterprise Funds
Combined Notes to Financial Statements
Years Ended September 30, 2001, 2000 and 1999

NOTE 16 - CHARITY CARE

The District has a policy of providing charity care to indigent patients who meet certain criteria under its charity care policy. The cost of the charity care was \$8,836, \$25,212 and \$55,770 for the fiscal years ended in 2001, 2000 and 1999, respectively.

NOTE 17 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2001, that have initial or remaining lease terms in excess of one year.

<u>Year Ending September 30</u>	<u>Amount</u>
2002	\$ 9,082
2003	<u>4,541</u>
Total minimum lease payments	<u>\$ 13,623</u>

NOTE 18 - INTERGOVERNMENTAL TRANSFER PROGRAM

As of April 23, 2001, the District entered into a cooperative endeavor agreement with the State of Louisiana, through the Department of Health and Hospitals ("DHH"), for the purpose of DHH's Nursing Home Intergovernmental Transfer Program. This program enables DHH to pay Medicaid Enhancement Pool payments to qualified parish-owned nursing facilities. The agreement remains in effect for three years. The program will further the health safety and welfare of the elderly and infirm citizens of LaSalle Parish. The District received \$932,260 under this program for the year ended September 30, 2001.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Debt Service Fund
Balance Sheets
September 30, 2001, 2000 and 1999

	2001	2000	1999
Assets:			
Cash	\$ 7,943	\$ 11,100	\$ 8,058
Certificates of deposit	<u>393,951</u>	<u>394,790</u>	<u>390,865</u>
Total assets	<u>\$ 401,894</u>	<u>\$ 405,890</u>	<u>\$ 398,923</u>
 Fund Balance:			
Fund balance	<u>\$ 401,894</u>	<u>\$ 405,890</u>	<u>\$ 398,923</u>

See accompanying notes to financial statements.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Debt Service Fund
Statements of Revenues and Expenditures
And Changes in Fund Balance
Years Ended September 30, 2001, 2000 and 1999

	2001	2000	1999
Revenue:			
Ad valorem taxes	\$ 97,234	\$ 109,609	\$ 102,165
Interest income	<u>5,161</u>	<u>3,926</u>	<u>3,869</u>
Total revenue	<u>102,395</u>	<u>113,535</u>	<u>106,034</u>
Expenditures:			
Bonds redeemed	95,000	90,000	85,000
Interest on bonds	11,211	16,388	21,275
Fiscal agent fees	<u>180</u>	<u>180</u>	<u>180</u>
Total expenditures	<u>106,391</u>	<u>106,568</u>	<u>106,455</u>
Excess of revenue (expenditures)	(3,996)	6,967	(421)
Fund balance, beginning of year	<u>405,890</u>	<u>398,923</u>	<u>399,344</u>
Fund balance, end of year	<u>\$ 401,894</u>	<u>\$ 405,890</u>	<u>\$ 398,923</u>

See accompanying notes to financial statements.

Hospital Service District No. 2,
 Of the Parish of LaSalle, State of Louisiana
 General Long-Term Debt Account Group
 Statements of General Long-Term Debt
 Years Ended September 30, 2001, 2000 and 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
<u>AMOUNT AVAILABLE AND TO BE PROVIDED FOR PAYMENT OF GENERAL LONG-TERM DEBT</u>			
Serial Bonds			
Amount available in Debt Service Fund	\$ 401,894	\$ 405,890	\$ 398,923
Amount to be provided	<u>(301,894)</u>	<u>(210,890)</u>	<u>(113,923)</u>
Total	<u>\$ 100,000</u>	<u>\$ 195,000</u>	<u>\$ 285,000</u>
 <u>GENERAL LONG-TERM DEBT PAYABLE</u>			
Serial Bonds Payable	<u>\$ 100,000</u>	<u>\$ 195,000</u>	<u>\$ 285,000</u>

See accompanying notes to financial statements.

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Debt Service Fund and General Long-Term Debt Account Group
Notes to Financial Statements
Years Ended September 30, 2001, 2000 and 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Debt Service

The debt service fund was established to receive ad valorem taxes collected and to repay bonds and the interest thereon. Taxes received cannot be commingled with other funds and can be used only for the designated purpose.

General Long-Term Debt Account Group

The general long-term debt account group is a self-balancing group of accounts which includes unmatured public improvement bonds that are funded by ad valorem tax revenues.

Basis of Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Property tax revenues are recognized when they become available. Available includes those property taxes collected.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

Budgets

Expenditures of the debt service fund are controlled through debt service commitments. No legal budget is required for this fund.

NOTE 2 - DEPOSITS

Certificates of Deposit at September 30, 2001, 2000 and 1999 with the depository bank are secured at the balance sheet date by federal depository insurance coverage and by pledged securities.

NOTE 3 - SERIAL BONDS PAYABLE

Public Improvement Bonds dated May 1, 1977, mature serially in \$5,000 denominations on May 1st of each year with interest payable on May 1st and November 1st at various rates from 5% to 5.6% per annum. In October of 2001, these bonds were redeemed.

At September 30, 2001, there were outstanding bonds in an amount of \$1000, as detailed below:

<u>Years</u>	<u>Bond Number</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	241 to 260	\$ <u>100,000</u>	\$ <u>5,750</u>	\$ <u>105,750</u>

SUPPLEMENTAL INFORMATION

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Schedules of Patient Statistics
Years Ended September 30, 2001, 2000 and 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Number of Hospital Patient Days of Care			
Medicare	9,646	9,514	10,054
Medicaid	1,570	1,257	1,084
Other	<u>748</u>	<u>638</u>	<u>606</u>
Total	<u>11,964</u>	<u>11,409</u>	<u>11,744</u>
Number of Hospital Patient Discharges			
Medicare	1,265	1,281	1,311
Medicaid	327	247	189
Other	<u>180</u>	<u>172</u>	<u>131</u>
Total	<u>1,772</u>	<u>1,700</u>	<u>1,631</u>
Average Length of Patient Stay			
Medicare	7.62	7.50	7.84
Medicaid	4.80	5.22	4.62
Other	4.15	3.71	4.07
All Patients	6.75	6.78	7.20
Number of Surgical Cases	<u>14</u>	<u>26</u>	<u>31</u>
Number of Home Health Visits	<u>7,487</u>	<u>8,274</u>	<u>10,810</u>
Number of Emergency Room Visits	<u>8,703</u>	<u>8,243</u>	<u>7,461</u>

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Schedules of Net Patient Service Revenue
Unrestricted Fund
Years Ended September 30, 2001, 2000 and 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Routine services:			
Adult and pediatric	\$ 2,902,352	\$ 2,626,140	\$ 2,554,106
Swing bed	366,984	302,876	259,730
Nursing home services	<u>1,725,459</u>	<u>-0-</u>	<u>-0-</u>
Total routine services	<u>4,994,795</u>	<u>2,929,016</u>	<u>2,813,836</u>
Other professional services:			
Operating room	156,223	182,352	157,291
Recovery room	9,376	9,881	12,817
Anesthesiology	95,537	111,379	109,868
Radiology	1,723,672	1,733,574	1,392,405
Laboratory and blood	2,857,030	2,804,060	2,657,622
IV therapy	574,924	530,093	501,165
Respiratory therapy	1,654,300	1,649,688	1,604,171
Physical therapy	537,839	616,730	478,835
Occupational therapy	16,809	27,704	6,668
Speech therapy	5,312	6,342	3,958
EEG, EKG, telemetry	1,402,287	1,288,762	1,324,371
Medical supply	1,182,061	1,073,039	1,094,193
Pharmacy	6,788,460	5,820,213	5,393,682
Grand care	772,431	750,290	589,899
Wound care	221,180	21,353	3,740
Wellness center	45,296	51,190	12,083
Emergency service	1,389,952	878,508	674,923
Observation room	6,611	33,260	39,409
Ambulance service	496,098	554,532	408,880
Home health services	<u>984,580</u>	<u>1,145,450</u>	<u>1,378,227</u>
Total other professional services	<u>20,919,978</u>	<u>19,288,400</u>	<u>17,844,207</u>
Total patient service revenue	25,914,773	22,217,416	20,658,043
Deductions from revenue:			
Medicare and Medicaid contractual adjustments	12,485,864	11,426,148	10,700,628
Medicaid Dispro payment	(573,083)	(43,375)	(75,669)
Intergovernmental transfer payment	(932,260)	-0-	-0-
Employee discounts	9,211	8,605	9,155
Uncompensated services	8,836	25,212	55,770
Other	<u>401,181</u>	<u>301,220</u>	<u>233,317</u>
Total deductions from revenue	<u>11,399,749</u>	<u>11,717,810</u>	<u>10,923,201</u>
Net patient service revenue	<u>\$14,515,024</u>	<u>\$10,499,606</u>	<u>\$ 9,734,842</u>

Hospital Service District No. 2,
 Of the Parish of LaSalle, State of Louisiana
 Schedules of Other Revenue
 Unrestricted Fund
 Years Ended September 30, 2001, 2000 and 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Purchase discounts taken	\$ 3,633	\$ 3,020	\$ 4,029
Nursing Home contract	202,196	388,195	384,633
Cafeteria	127,892	131,659	123,619
Cot rentals	1,470	1,146	1,457
Medical record abstracts	5,624	5,255	5,715
Vending	1,978	1,406	1,321
Rental income	72,500	114,000	114,000
Ambulance reimbursement	116,409	113,400	80,333
Nursing Home accounting fees	4,725	8,100	8,100
Doctors' billing	27,300	24,150	23,385
Miscellaneous revenue	<u>460</u>	<u>14,173</u>	<u>1,016</u>
 Total	 <u>\$ 564,187</u>	 <u>\$ 804,504</u>	 <u>\$ 747,608</u>

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Schedules of Expenses - Salaries and Benefits
Unrestricted Funds
Years Ended September 30, 2001, 2000 and 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Salaries:			
Administration	\$ 863,713	\$ 702,442	\$ 680,771
Plant operations and maintenance	212,848	197,669	185,670
Laundry	103,273	101,403	97,599
Housekeeping	197,053	109,184	98,998
Dietary and cafeteria	350,156	325,178	315,084
Nursing administration	229,346	187,330	182,850
Medical records	110,886	99,220	90,247
Nursing services	1,829,566	1,219,619	1,153,339
Grand care	116,622	117,410	115,231
Wellness center	38,758	34,373	9,986
Operating room	37,126	38,718	38,797
Recovery room	3,595	3,653	4,726
Radiology	144,503	132,416	118,500
Laboratory	166,756	159,953	140,252
Respiratory therapy	185,285	177,976	169,380
Physical therapy	138,754	51,849	47,257
Central supply	97,534	92,239	87,375
Pharmacy	156,392	148,267	136,449
Emergency room	525,128	456,345	394,305
Observation	-0-	2,660	3,775
Ambulance	176,468	167,007	155,709
Home health	<u>346,088</u>	<u>371,146</u>	<u>411,463</u>
 Total salaries	 <u>6,029,850</u>	 <u>4,896,057</u>	 <u>4,637,763</u>
 FICA/Social Security	 152,026	 91,556	 87,746
Hospitalization insurance	529,721	526,280	450,886
Other	<u>452,509</u>	<u>456,843</u>	<u>452,590</u>
 Total benefits	 <u>1,134,256</u>	 <u>1,074,679</u>	 <u>991,222</u>
 Total salaries and benefits	 <u>\$ 7,164,106</u>	 <u>\$ 5,970,736</u>	 <u>\$ 5,628,985</u>

Hospital Service District No. 2,
 Of the Parish of LaSalle, State of Louisiana
 Schedules of Expenses - Medical Supplies and Drugs
 Unrestricted Funds
 Years Ended September 30, 2001, 2000 and 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Nursing services	\$ 23,770	\$ 20,405	\$ 18,163
Grand care	41	34	137
Wellness center	301	61	34
Operating room	9,741	10,300	18,381
Anesthesiology	252	266	429
Radiology	66,084	69,032	41,220
Laboratory and blood	22,898	17,039	12,851
IV therapy	89,762	81,361	86,669
Respiratory therapy	19,968	23,431	26,426
Physical therapy	3,026	5,844	3,516
Telemetry	3,964	5,129	4,566
Central supply	81,360	88,326	99,056
Pharmacy	761,316	604,308	609,169
Emergency room	8,817	8,203	6,980
Ambulance	7,463	6,893	6,382
Home health	23,454	33,129	35,443
Nursing home supplies	<u>65,455</u>	<u>-0-</u>	<u>-0-</u>
 Total medical supplies and drugs	 <u>\$ 1,187,672</u>	 <u>\$ 973,761</u>	 <u>\$ 969,422</u>

Hospital Service District No. 2,
 Of the Parish of LaSalle, State of Louisiana
 Schedules of Expenses - Professional Fees
 Unrestricted Funds
 Years Ended September 30, 2001, 2000 and 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Swing bed	\$ 385	\$ 344	\$ 523
Grand care	57,778	57,915	59,636
Anesthesiology	88,671	75,775	64,264
Radiology	113,584	128,289	61,000
Laboratory	113,060	89,473	152,931
Physical therapy	34,406	195,778	163,880
Occupational therapy	4,440	6,800	1,400
Speech therapy	2,025	3,040	2,150
EKG, EEG	65,475	76,915	129,725
Emergency room	666,980	668,820	639,484
Home health	19,444	36,372	23,704
Pharmacy	<u>2,916</u>	<u>-0-</u>	<u>-0-</u>
 Total professional fees	 <u>\$ 1,169,164</u>	 <u>\$ 1,339,521</u>	 <u>\$ 1,298,697</u>

Hospital Service District No. 2,
 Of the Parish of LaSalle, State of Louisiana
 Schedules of Expenses - Other Expenses
 Unrestricted Funds
 Years Ended September 30, 2001, 2000 and 1999

	2001	2000	1999
Contract services	\$ 5,843	\$ -0-	\$ 2,500
Consultants	24,128	11,095	10,140
Legal	99,170	58,590	29,340
Supplies	762,498	694,349	673,516
Repairs and maintenance	370,424	310,337	300,076
Utilities	264,512	212,647	196,073
Telephone	55,307	50,347	50,239
Travel	68,759	55,797	53,430
Rentals	57,513	41,542	42,039
Advertising	21,524	14,902	14,235
Recruitment	2,874	-0-	-0-
Dues and subscriptions	57,539	74,851	50,118
Miscellaneous	49,550	43,334	54,068
Provider tax	<u>109,015</u>	<u>-0-</u>	<u>-0-</u>
 Total other expenses	 <u>\$ 1,948,656</u>	 <u>\$ 1,567,791</u>	 <u>\$ 1,475,774</u>

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Combining Balance Sheet - Unrestricted Funds
September 30, 2001

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
ASSETS				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 373,015	\$ 720,688		\$ 1,093,703
Assets whose use is limited - required for current liabilities	-0-	25,133		25,133
Investments (Note 4)	1,718,642	1,335,805		3,054,447
Accounts receivable, net of estimated uncollectibles (Note 6)	3,421,284	307,239	(39,669)	3,688,854
Inventory	255,211	11,113		266,324
Prepaid expenses	<u>36,997</u>	<u>13,788</u>		<u>50,785</u>
Total current assets	<u>5,805,149</u>	<u>2,413,766</u>		<u>8,179,246</u>
Assets whose use is limited under bond covenant agreement (Note 5)	737,388	-0-		737,388
Property, plant and equipment, net (Note 7)	5,009,361	966,161		5,975,522
Other assets (Note 8)	<u>7,153</u>	<u>698</u>		<u>7,851</u>
Total assets	<u>\$11,559,051</u>	<u>\$ 3,380,625</u>		<u>\$14,900,007</u>
LIABILITIES AND FUND BALANCE				
Current liabilities:				
Current maturities of long-term debt	\$ 245,000	\$ -0-		\$ 245,000
Accounts payable	240,498	79,363	(39,669)	280,192
Accrued expenses and withholdings payable (Note 9)	520,176	106,028		626,204
Resident deposits	-0-	25,133		25,133
Retirement payable	<u>193,825</u>	<u>-0-</u>		<u>193,825</u>
Total current liabilities	<u>1,199,499</u>	<u>210,524</u>		<u>1,370,354</u>
Long-term debt, net of current maturities (Note 12)	<u>255,000</u>	<u>-0-</u>		<u>255,000</u>
Total liabilities	<u>1,454,499</u>	<u>210,524</u>		<u>1,625,354</u>
Fund balance - unrestricted	<u>10,104,552</u>	<u>3,170,101</u>		<u>13,274,653</u>
Total liabilities and fund balance	<u>\$11,559,051</u>	<u>\$ 3,380,625</u>		<u>\$14,900,007</u>

Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Combining Statement of Operations - Unrestricted Funds
Year Ended September 30, 2001

	LaSalle General Hospital	LaSalle Nursing Home	Eliminating Entries	Combined
Revenue:				
Net patient service revenue	\$11,889,000	\$ 2,633,110	\$ (7,086)	\$14,515,024
Gain (loss) on disposal of equipment	2,594	-0-		2,594
Grant income	-0-	-0-		-0-
Other revenue	<u>790,034</u>	<u>6,844</u>	(232,691)	<u>564,187</u>
 Total revenue	 <u>12,681,628</u>	 <u>2,639,954</u>		 <u>15,081,805</u>
Expenses:				
Salaries and benefits	6,349,472	814,634		7,164,106
Medical supplies and drugs	1,122,217	65,455		1,187,672
Insurance	208,852	18,880		227,732
Professional fees	1,160,860	15,390	(7,086)	1,169,164
Other expenses	1,622,848	558,499	(232,691)	1,948,656
Provision for bad debts	1,153,236	17,683		1,170,919
Depreciation and amortization	388,499	32,547		421,046
Interest	<u>29,097</u>	<u>-0-</u>		<u>29,097</u>
 Total expenses	 <u>12,035,081</u>	 <u>1,523,088</u>		 <u>13,318,392</u>
 Operating income (loss)	 646,547	 1,116,866		 1,763,413
Nonoperating income				
Interest income	<u>198,707</u>	<u>20,836</u>		<u>219,543</u>
 Excess of revenues over expenses	 <u>\$ 845,254</u>	 <u>\$ 1,137,702</u>		 <u>\$ 1,982,956</u>

Bobby G. Lester, CPA
John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA

Melanie I. Laysard, CPA
Brenda J. Lloyd, CPA

LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
3600 BAYOU RAPIDES ROAD
ALEXANDRIA, LOUISIANA 71303

Telephone (318) 487-1450
Facsimile (318) 445-1184

Members
American Institute of CPA's
Society of Louisiana CPA's

Mailing Address:
P.O. Box 8758
Alexandria, LA 71306-1758

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Jena, Louisiana

We have audited the general purpose financial statements of the LaSalle General Hospital Service District No. 2 of the Parish of LaSalle the ("District"), as of and for the years ended September 30, 2001, 2000 and 1999, and have issued our report thereon dated January 18, 2002. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Commissioners
Hospital Service District No. 2,
Of the Parish of LaSalle, State of Louisiana
Page Two

This report is intended for the information of the Board of Commissioners, management and the office of the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Certified Public Accountants

January 18, 2002